

**DATE** : November 15, 2001

**LETTER TO:** All Managed Care Organizations (MCOs)

**SUBJECT** : Implementation of 2002 Payment Initiative Relating to End Stage Renal Disease (ESRD)—**INFORMATION**

The purpose of this letter is to notify you regarding how CMS will be calculating payments for members with ESRD in 2002.

**ESRD - BIPA 605 PROVISION MANDATING REVISED PAYMENT  
METHODOLOGY for ESRD MEMBERS**

CMS was directed by BIPA to revise the ESRD payment method to account for beneficiary-level factors that impacted costs. Policy has identified age and sex as major determinants in severity and, thus, the costs of treatment. Effective January 1, 2002, payments for ESRD members will be computed by multiplying the applicable state rate by factors representing the member's age and sex.

This provision applies to all Medicare+Choice organizations (M+COs) and to the Social Health Maintenance Organization and Evercare demonstrations.

Please note that CMS instructed all M+COs to use the pre-BIPA 2002 rates when preparing the Adjusted Community Rate Proposals for CY2002 that were due on September 17, since the BIPA-mandated rates were not available at the time. **Although the new rates were published on October 1, 2001, M+COs were instructed to not submit any revisions to their September 17, 2002 filings.**

The factors (see below) and the state rates can be accessed via

<http://www.hcfa.gov/stats/hmorates/rates02/ESRDBIPA.htm>.

**ESRD Factors - CY2002****Age/Sex Demographic Factors for M+C ESRD Enrollees**

Age	Part A		Part B	
	Male	Female	Male	Female
<b>0-34</b>	.55	.70	.70	.75
<b>35-44</b>	.65	.70	.80	.80
<b>45-54</b>	.70	.85	.85	.90
<b>55-59</b>	.80	.95	.90	1.00
<b>60-64</b>	.90	1.10	.90	1.10
<b>65-69</b>	1.15	1.35	1.10	1.20
<b>70-74</b>	1.25	1.45	1.15	1.25
<b>75-79</b>	1.30	1.55	1.20	1.25
<b>80-84</b>	1.40	1.60	1.20	1.25
<b>85+</b>	1.45	1.60	1.20	1.25

**Contact Information:**

If you have any questions, please contact the CMS Central Office Health Insurance Specialist assigned to your regional area:

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Sincerely,

/s/

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